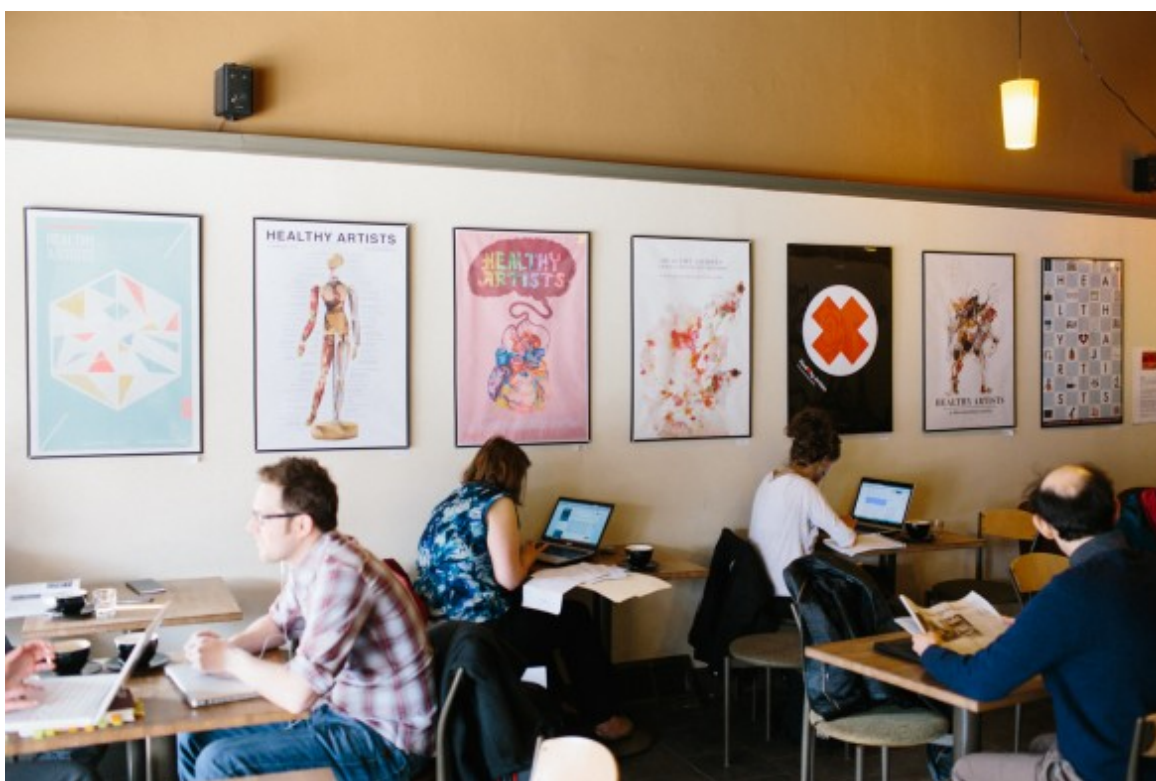


≡ MENU

An Obamacare guide for freelancers and the self-employed

by ROB CULLEN on DECEMBER 12, 2013



Lately we've been attending a bunch of workshops geared towards helping various communities navigate the Affordable Care Act. It's mostly for the Q&A's— we know Obamacare as well as anyone, but it's always helpful to hear what parts of the law are confusing to people who are new to the whole thing. At a recent ACA workshop for working artists we heard one question that was particularly hard to answer:

- To get the subsidy to pay for insurance, you have to estimate your annual income. But what do you do if you have no idea what your annual income will be?

That's a concern for anyone who freelances or is self-employed, and it makes navigating the new system particularly difficult for these folk. In this post, we explain why and offer seven tips that should make the process a little easier.

[UPDATE 11/9/15: The poverty level income figures we mention below have been updated for 2016.]

Why Obamacare coverage could be great for freelancers

Currently, [about 17 million Americans](#) work as either a freelancer, contractor, or owner of a micro-business. If you include temps and part-timers, it's over 40 million people, or about [a third of the U.S. workforce](#)— and according to the most recent survey we could find (from 2006), [almost 40% of them lack health insurance](#).

Anecdotes from freelancers show how hard it could be to get decent coverage [before Obamacare](#):

On NPR, one freelance writer and editor [described](#) finding a plan that cost \$600 per month: “It covered nothing. It was a huge deductible and literally, the first time you filed a claim you would be dropped.”

Writing [in Salon](#), a freelancer with type-1 diabetes detailed an exchange with a health insurance representative: “So are you trying to tell me that even if I were willing to give you a million dollars a month, you would still not let me join your health plan?’ I asked one representative. She said yes and hung up.”

Then there are the people who would rather freelance or start their own business, but are afraid to leave their current employer because it would

mean losing their health insurance— a phenomenon known as “job lock.” According to a 2006 Watson Wyatt study, [two thirds of top-performing employees](#) said healthcare benefits were an important reason to stay with a company.

So, for current and future self-employed workers, Obamacare is likely a great deal— they’ll finally be able to find decent insurance without a traditional employer and often get help paying for it. But first, they have to get through the Obamacare application process.

Why *applying* for Obamacare coverage is less great

To shop for plans, first you have to estimate your annual income, and getting that right is important: if you overestimate, your subsidy might be too small, but if you underestimate, you might owe the IRS money when tax time comes around. (Or even worse, if you live in a state that doesn’t expand Medicaid and your underestimation puts your income below the poverty line, you [won’t be eligible for *any* help paying for insurance](#).)

Yet, for many self-employed individuals, estimating annual income is all but impossible— it can vary wildly from month-to-month, year-to-year, depending on their luck landing assignments, contracts, sales, etc. One woman in the audience during an Obamacare for artists workshop I attended put it this way:

“The people who write these laws have no idea how things work in the real world.”

7 tips for the self-employed when shopping for plans

Even though navigating Obamacare can be a huuuuge pain for freelancers, the potential benefits are too good to pass up. Here are some tips that will help if you’re self-employed and applying for insurance on the Obamacare website.

1. Make sure you're actually a freelancer/self-employed and not a small business

This might seem obvious, but just in case: if you have any employees (people you send a W2 at the end of the year) you're considered an "employer," and [can buy insurance on the small business marketplace](#). If you just hire independent contractors for some work, then you're still considered self-employed and you'll only buy coverage on the individual marketplace. Healthcare.gov has more info [here](#).

2. You won't get in trouble if your income estimate is wrong

The government will try to verify your income when you apply for Obamacare coverage, but it's mainly geared towards catching obvious lies or mistakes—for example a person who has a full-time job and says they're unemployed. Here's [how it works](#):

In the 36 states using the federal exchange, the estimates of all applications are then checked against Internal Revenue Service and Social Security records, looking for large discrepancies. If the amount supplied can't be confirmed through federal records, it will be checked against wage information employers send to Equifax, a credit reporting agency. After a rule change this summer, states that have built their own exchanges don't have to check every applicant for 2014, verifying only a sample of participants, said Timothy Jost, professor of law at Washington and Lee University.

If the estimate still can't be verified, the exchange will request additional documentation from the applicant.

If you're a freelancer or independent contractor you can send them your most recent 1099's or a self-employment ledger and the government should take your word that it's accurate. Says Jost:

"Our tax system is largely an honor system. For most Americans, there's

no way you can verify in advance what your income will be in a year. All you can do is make your best guess.”

UPDATE: A bunch of people have been asking what a self-employment ledger is, since that’s one of the things the IRS says freelancers can provide to verify their income. For most states, there’s no official form– anything that clearly breaks down your income and expenses is a “self-employed ledger.”

For an example of a self-employment ledger that you can use as a template, one of the commenters mentioned that [South Dakota has a good one here](#). Also, New York is one of the few states that includes a self-employment ledger form as part of its online Obamacare application– you can see a [screenshot of that here](#). You don’t have to copy them exactly, but those should give you a good idea of what kind of info the IRS is asking you to provide in a self-employment ledger.

And for more on income verification, Consumers Union has a [good guide here](#).

UPDATE 2: Another commenter has pointed out that you can use accounting software, like Quicken, to generate a ledger as well.

3. It’s probably better to estimate too high than too low, otherwise you could owe money later

One reason the income verification isn’t more strict is that the IRS will reconcile your tax return with your Obamacare application at tax time. If you knowingly provided false information, you could face fines or even criminal charges, but if you simply guessed wrong you don’t have to worry. Also, if it turns out you were owed a bigger subsidy because you *overestimated* your income for the year, you’ll get that extra money in your tax refund.

The potential problem for freelancers is that if your income was higher than you expected, you’ll have to pay back the extra subsidy credit you got. There are some limits to how much you’ll owe the IRS if you guess wrong, which,

like the subsidy itself, is on [a sliding scale](#):

EXHIBIT 2		
Limits on Repayment of Excess Premium Tax Credits		
Income level shown on annual tax return	Maximum amount of repayment	
	Individual	Family
Less than 200% FPL	\$300	\$600
At least 200% but less than 300% FPL	\$750	\$1,500
At least 300% but less than 400% FPL	\$1,250	\$2,500
400% FPL or greater	Entire amount of overpayment	

SOURCE Federal Register, "Internal Revenue Service; Health Insurance Premium Tax Credit; Final Regulations," May 23, 2012. **NOTE** FPL is federal poverty level.

Those are still hefty tax bills, but it's nice to know that you won't go bankrupt if you get the estimate wrong. And if you really want to avoid owing money at tax time then you can either choose not to apply your entire subsidy to your monthly premium (again, you'll get the leftover in your refund) or...

4. If your income changes, tell the insurance marketplace

A recent [study in the journal Health Affairs](#) found that the number of people owing repayments could be reduced up to 40%, and the median repayment reduced by 60%, if people simply report income changes to their Obamacare marketplace.

You [can do this as often as you want](#), so if you land a bunch of new clients, or a big project ends, or you have a great month selling [pirate guinea pig portraits on Etsy](#)—log onto your state's marketplace and let them know. (In reality this probably means every few months adding all your 1099's and subtracting any deductions—more on those in a sec. We just wanted an excuse to use this picture:)



5. For those living in states that don't expand Medicaid: If you overestimate your income, you don't have to repay anything

True to the stereotype of the starving artist, many of the ones I've talked to have incomes hovering right around the federal poverty line (FPL- \$11,770 for an individual). If you live in a state that doesn't expand Medicaid and your income is below that line, you're especially screwed— you're not eligible for subsidies to buy private coverage, and unless you were eligible for Medicaid under the old rules, you can't get that either.

But say you estimate that your income will be over the FPL and thus qualify a subsidy to pay for private insurance— if your actual income at the end of the year is lower than FPL, [you don't have to pay anything back](#). And in many cases the federal subsidy [will be enough to cover the entire cost of private insurance](#) on the marketplace.

Now to be clear, we're not saying that you should lie to the federal government. But, if you live in a state that didn't expand, and you're not sure whether next year's income will be above or below that line, you probably want to go with the higher estimate.

6. Keep in mind the exchange is asking for your *Modified Adjusted Gross Income*

The health marketplace isn't asking for total income but something called Modified Adjusted Gross Income (MAGI): basically your Adjusted Gross Income (line 4 on 1040-EZ, line 21 on 1040A, or line 37 on 1040) plus a handful of other types of income that are explained [here](#).

The Atlantic's Garance Franke-Ruta explains why this distinction is [especially important for self-employed workers](#):

The difference between gross income and adjusted gross income is not going to be huge for most people who are lower- to middle-class and get paid through W2s. **But for people paid through 1099s and piecemeal work, adjusted gross income can be thousands of dollars lower than gross income**, since it's the figure that comes after all the Schedule C deductions (such as for home office, internet, business use of a phone, computer equipment, etc.).

She also notes that calculating MAGI is not easy:

If you've never lived in the world of piecework and Schedule C deductions, imagine saving all your expense receipts for an entire year and then having to do them before you can begin to calculate what your

MAGI is. This is, in fact, exactly what has to happen. [...]

In short, for the self-employed, applying for Obamacare subsidies can be as much fun as doing your taxes, because—depending on the state forms—it can actually involve doing part of your taxes.

Many freelancers and self-employed individuals find it's easier to do their taxes quarterly anyways— if you do that, then just make sure to report it to the health marketplace too. If not, then when you're estimating your annual income, keep in mind that the marketplaces are asking for something a little different from— and something that's likely to be lower than— total gross income.

7. Take a close look at the “Silver” plans

Obamacare plans are ranked as bronze, silver, gold, or platinum, based on their out-of-pocket costs. Cheaper plans come with high out-of-pocket costs—a problem for everyone, but especially independent workers who might have long gaps with little or no income. However, if you make less than 250% of the poverty line (\$29,425 for an individual), you're eligible for reduced cost-sharing... but *only on silver plans*. For more info, check out our [earlier post here](#).

The TL;DR conclusion

Here's the main take-away: estimating annual income can be difficult if you're self-employed, but it's okay if you're off. To avoid owing taxes later (1) estimate a little high (you'll get the money back in your tax refund if you guess too high) and (2) if your income changes let your marketplace know.

SHARE AND ENJOY!



{ 98 comments... [add one](#) }

PREVIOUS COMMENTS

Tonya January 9, 2015, 9:28 pm



That is what I thought, also. It surprised me when the phone rep of the marketplace wanted individual income amounts for both my husband and myself. None the less, we file jointly with his name as primary; and I still got the notice with only my name. I did use my name first when applying which is reflected on our insurance cards. Our insurance has always been with my name first since I got it through my job the went on COBRA as long as possible. Could that possibly explain the part of the why? Sorry, I momentarily forgot I'm dealing with an inexplicable, inconsistent system. 😞

[LINK](#)

Rob Cullen January 10, 2015, 1:05 am



@Tonya: Ah ok– maybe they're only using the first name that's listed when asking for income verification, even when it's a household. (Also, not sure exactly what the marketplace phone rep told you, but I've heard that for more complicated situations they're often wrong or misinformed.) It might also be a glitch in the way they track incomes– they check what you report against IRS and employer records, so if just yours changed maybe they saw that and mistakenly asked for just your income to be verified.

In any case, I would also include your husband's income when you do the income verification. Depending when you plan on doing your taxes, you could just send them a copy of this year's 1040– otherwise sending the Schedule B with an explanation that you quit your job, plus something verifying your husband's income, would probably be fine.

[LINK](#)

Tonya January 10, 2015, 12:22 pm



Thank you so much for your insight. I think you'll be busy answering question for several more years!

LINK

Wendy January 12, 2015, 10:16 am



I have a question or maybe questions regarding this Obamacare application, and hoping I could still catch you for answers. I own a small farm, S Corp, I own 100% stock. For the previous years, my incomes had been a lose, I was surviving on debt, which in this industry is not completely abnormal, as you know, if I plant a tree seed today, it won't reach 6 ft in 30 days to be sold. In 2015, I estimate my profit will reach around 30K because the plants are reaching sell-able stage and I actually got a contract for some of the trees at \$10/ft price for this year. So when I did the application I've put in that estimated income. Same as some people above, I think the system detected the inconsistency, asked me to prove the income. Based on the questions asked from others, I don't have much confidence of passing, as I can really just 'estimate', my business is not like every day is the same, my monthly income is not equal. Going into season, it will be much higher than off season. So, what you think is the best way for me to proceed the proof of income, so I don't have to end up paying fines at the end of 2015? Thanks,

LINK

Wendy January 12, 2015, 10:36 am



Sorry, I forgot a question in my previous message.

After I completed Obamacare application, I chose a Silver Plan which, per the website info, I could start paying and enjoy the insurance. However, they still

need my proof of income, which I am going to send in, the deadline is the 8th of April. My question is if I start paying the insurance company right now with a reduced monthly premium because of the tax credit and I am not approved in April, will the insurance company bill me for the tax credit amount in the previous 3 months?

I am pretty sure I don't have to pay back to the government if I am not approved because I actually over-estimated a little of my possible income, unless miracle happens. I just don't know if I will be responsible for the premium amount compensated by the tax credit for the first few months to the health insurance company. Thanks,

LINK

Rob Cullen January 12, 2015, 12:11 pm



@Wendy: To answer your first question, from what I'm hearing they aren't being too too strict about the income verifications, especially if your estimate is higher than what they have on record. Since you can't point to money coming in right now, you could put together a ledger breaking down your expected profits and expenses this year— and if possible, I'd also include a copy of the contract you mentioned.

For your second question— no, you wouldn't have to pay anything back to the insurance company if it turns out you don't qualify for a subsidy. The subsidy stuff is all handled by the government, so if you over/underestimate your income, you settle up with them when you do your 2015 taxes. If you *under*estimate your income, you'd have to pay back some of the subsidy then— but if you overestimate, you wouldn't owe anything (and might get a refund). That's true even if your income ends up being too low to qualify for subsidies— as long as you're not caught intentionally lying to the government, you don't have to pay it back if you overestimate.

LINK

Wendy Again January 12, 2015, 12:46 pm



I am so grateful for the efforts and time you've contributed on this site to answer all our questions. Thanks a million. Wendy.

LINK

Anna January 16, 2015, 12:34 am



HI! My mom received her green card last November. She has been in the USA since last February. She has not worked because she did not have an employment authorization but now she does. We have applied and received BCBS Silver plan. She is now working as a self employed and we estimated how much she will make doing tailoring services. She does not have any history of income, filing taxes or other. So in order to verify her income what should she use?

LINK

Rob Cullen January 16, 2015, 2:44 pm



@Anna: It sounds like a self-employment ledger (see the article for details) would be a good option for your mom. The exchanges have been giving people a few months to submit income verification– she can report the income/expenses for the work she's doing now on the ledger (maybe with an explanation that she just got her work authorization).

@Wendy Again: Thanks!! Glad it's been helpful!

LINK

Peter January 24, 2015, 7:37 am

I also got blessed with 'Income verification' Letter. Wife is full time employed — her income verification was not requested, only Son/I — He's full time College Student with a part time job/some farm income — myself — full time Farmer / School Bus Driving. I can provide 2014 W2's for the 'employment' sides, but the Farming side is another issue, I sell my wheat crop as the market fluctuates. also received Insurance payments for loss of crop. When Applying, I estimated AGI based upon 2014. 2015 appears to be heading towards an equal, or worse drought situation. I will have my 2014 taxes completed pre the deadline of 3/17/15 for 'verification of income' — The 'marketplace rep' indicated that I could send settlement sheets from COOP where I market the crop as 'proof of income' — but that would not be an income/expense ledger. Will my 2014 Tax return be adequate? — If we have to do a 'ledger' — what period of time is correct? (since farming's income/expense isn't divided equally) Thanks

LINK

Rob Cullen January 24, 2015, 12:06 pm

@Peter: Since it sounds like you expect your 2015 income to be roughly the same as your 2014 income, then yep, this year's tax return should be fine. If you think it will be higher or lower, you could probably submit your 2014 tax return along with an explanation/verification for just the part that's changed.

If you do a ledger it can be for whatever period of time you want. But if, like most farmers, your income varies a lot from season to season, you'd probably want it to cover most of the year to show that— so it'd probably be easier to just use your tax return.

Also, keep in mind that if it starts to look like you'll be making more/less money this year, you can always log onto the exchange and update your income info.

LINK

Peter January 24, 2015, 8:11 pm



Thanks Rob —

I use Quicken for my book keeping software — could I send tax return and attach something on Farm Income/Expense details (lol income would be short, expense would be long). Basically I would be justifying what the tax return says —

I guess my real confusion is projections and ledgers — the ledgers would be an actual ‘history’ and that’s what the tax return shows in summary form. Hopefully I can figure out how to do the ‘ledger’ in quicken – and with the new ‘repairs’ ruling – that may get interesting.

Thanks again

LINK

Tara January 24, 2015, 11:37 pm



I am applying for insurance through the Marketplace and just started my own business cleaning houses. I put that I am self-employed as it is only me with no employees working under me. I just started bringing in income pertaining to that business January 3rd of 2015 though I had been planning it and marketing before then. My question is how can I prove that I have any indication of how much I expect to make for 2015 when I can only literally show a ledger for 4 weeks? Personally, I have a client list that I know I will be able to maintain and am not worried about my income not matching what I predicted at the end of the year. I just think they are going to receive my ledger and dismiss it because it’s not substantial enough, there’s no history there to prove legitimacy behind what I am claiming. I currently do not have a plan through the Marketplace and only have a few weeks left before open enrollment ends so I want to avoid any more questions or having

to prove something additional because quite frankly, I don't have any other documentation to show. What is the best way I can approach my self-employment ledger as to not seem thrown together as if I started a business last week to get health insurance? Thanks!

LINK

Rob Cullen January 26, 2015, 12:06 pm



@Peter: Like I've told other people on here, I've heard that they're not being that strict about income verification. It sounds like they mostly just want *something* to show that your income figures aren't completely made up. So sending just your tax return is probably fine (it's on the list of acceptable documents here: <https://www.healthcare.gov/help/how-do-i-resolve-an-inconsistency/>), but if you want to be on the safe side, sure, you could send the farm income/expense ledger along with it.

@Tara: Like I was telling Peter, it sounds like they just want to see *something* to show you're not totally making up your income estimate, and it doesn't have to be all that extensive. The more info you can send the better, but if you only have a ledger for four weeks, I'd just send that with an explanation that you just started the business, and those are regular clients—that should be fine.

LINK

Catina January 31, 2015, 5:48 pm



Hello my husband started his business in December 2014. Trying to figure out if it's best to send 2014 W2's along with a self employment ledger January 2015. If so is it legal if we create it ourselves along with a signature. Please respond verifiable proof is needed. Thanks!!

LINK

Rob Cullen February 2, 2015, 5:08 pm



@Catina: Like we say in the article, pretty much anything that clearly breaks down your income/expense can be a “self-employment ledger”– even if you make it yourself. Sending that with W2’s would be fine, as long as you still have the jobs listed on those W2’s– remember you’re estimating your income for 2015, so if your husband quit a job to start his business, the W2 for his old job wouldn’t help verify *current* income.

LINK

TW February 13, 2015, 8:54 pm



Hello, I am in Florida and got insurance last year in 2014 through the affordable health care act. I estimated around 12,000 and got accepted for 2014. For 2015 I did the same exact thing. I got accepted. Having insurance has helped me tremendously. I could not afford to live without it. But this year 2015 the healthcare marketplace has sent me a letter asking for proof of income after I was already accepted and have paid for and using the insurance for 2 months in 2015 already. I am self employed. They said I could send something as simple as a letter or as indepth as a copy of my 2014 taxes. They gave me a deadline of 60 days which is now less than 30 days. So I said to myself why not just do my taxes early. In 2014 my Gross was around 30k via 1099-K. But after cost of goods, ebay/paypal fees, shipping costs(is the biggie), supplies, home office, car, etc. (A.K.A. adjusted gross income) I may have over estimated. My taxes are showing I don’t have to pay in but what I am worried about is being kicked off obama care. For 2014 I may have overestimated but for 2015 I am optimistic. Have you heard of anyone being kicked off after being accepted or have any other info on the subject? I thank you for your response in advance. I really appreciate it.

LINK

Sierra L. February 16, 2015, 12:14 am



Is there a way to submit my self-employment ledger online to the marketplace website?

LINK

Rob Cullen February 16, 2015, 3:46 pm



@TW: The short answer is yes, you can get kicked off Obamacare after being accepted. “Kicked off” though isn’t quite accurate though– if you can’t show that your income is high enough, you would lose the subsidy that helps cover your premiums; if you then can’t afford the higher premiums, the insurer would cancel the plan. That said, from what I hear, they’re being pretty flexible about what they’ll accept as income verification, particularly if you think your income will be higher than it actually turns out to be. In your case, a ledger showing higher income more recently, or your 2014 taxes with an explanation for why your income will be higher in 2015, would probably be fine.

@Sierra L.: Last I heard, yes, if it asks for income verification it should give you an option to submit the ledger online.

LINK

TW February 16, 2015, 4:05 pm



@RC Many Thanks. Your help is appreciated.

LINK

G. Williams February 21, 2015, 3:46 pm



Can someone either send or explain to me how to fill out a self

employed ledger, please. This is my first time and I'm not clear on what's expected of me from the form I downloaded. I would be a great help if I can see a dummy sample of one.

LINK

Jessica Finch March 5, 2015, 12:21 pm



My husband and I sold piece of property at the end of 2014. This put us over the 400% of the federal poverty level. I am curious if we will have to pay back all subsidies received since we didn't actually have the money when we received them as I reported the change to the marketplace as soon as we sold it.

LINK

Rob Cullen March 5, 2015, 3:26 pm



@Jessica: Sorry to say, but you might have to pay back all of the subsidies. Keep in mind that only your *gain* from the sale of property (basically the sale price minus what you spent on it originally) is taxable and counts toward your Modified Adjusted Gross Income, which is what the subsidy is based on. But yeah, if that gain pushes your MAGI above 400% of the poverty level, then you'd have to pay back the entire amount you received in 2014.

LINK

Michele March 20, 2015, 11:22 pm



When does the IRS reconcile the actual income and how do they notify you if it was under or overestimated?

LINK

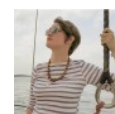
Rob Cullen March 23, 2015, 3:12 pm



@Michele: Everything gets reconciled when you do your taxes– so you'll see there whether your income was under/overestimated, and also whether you have to pay back part of the subsidy (if you underestimated) or will be getting a refund (if you overestimated).

LINK

Shirley March 23, 2015, 8:23 pm



I was eligible for medicaid in 2014, but i'm afraid I made too much in 2015. I'm a freelancer so my income varies wildly and I didn't file quarterly so i'm just seeing the big income picture of 2014 now. (Not yet sure of my MAGI.) You suggest overestimating your future income when getting a private insurer but what do you suggest if overestimating might make the difference between still being eligible for (free) medicaid health care vs. a more expensive private plan? What is the tax punishment if you weren't actually eligible for medicaid?

LINK

Rob Cullen March 24, 2015, 3:36 pm



@Shirley: There's no tax penalty if you underestimate and qualify for Medicaid when you really weren't eligible, but there could be other consequences. If your state's Medicaid agency finds out that you were intentionally misreporting your income, they could end your Medicaid coverage and other benefits, make you repay the Medicaid benefits you weren't eligible for, and/or press criminal charges (enforcement is up to the states).

Those penalties are for intentional fraud though— if you're not sure whether your income will be above or below the cutoff, you could use the lower estimate (as long as it's reasonable) and should be fine. However, if at some point during the year it becomes clear that your 2015 income will be above the Medicaid cutoff, definitely report that to the exchange though.

One more thing to be aware of: if your actual 2014 income is higher than your estimated income for 2015, they'll probably ask for you to provide some kind of explanation/documentation for why your income will be lower this year.

LINK

Diego GOnzales April 2, 2015, 9:49 am



This article is a big lie. It says: Anecdotes from freelancers show how hard it could be to get decent coverage before Obamacare.

Now it is impossible, healthcare.gov asks for million of papers, and after you provide them a paper they ask for more and more. Obama need a psychiatric clinic for him, worst president in history

LINK

Corey May 8, 2015, 6:06 pm



I'm self employed. when asked to verify my income, i submitted tax return. i thought all was fine and got a message this morning saying my coverage was terminated. I'm not sure why this happened, but i did give my income not adjusted gross income as income estimate. coverage was reinstated today and i resubmitted my tax return with a note with my app # and explaining i expect to make more money this year, but i just realized my adjusted gross income is below poverty guideline. could this be the reason for termination of my coverage in the first place? any advice, other than earn more money?

LINK

Rob Cullen May 12, 2015, 3:56 pm



@Corey: It's hard to say why your coverage was terminated without more info— it might have just been a glitch, but it is possible it had to do with your income. They calculate subsidies based on adjusted gross income, so if that's below the poverty line you wouldn't qualify, even if your pre-adjusted income is above.

If you live in a state that expanded Medicaid, I'd look into that— you'd qualify as long as your income is below 138% of the poverty level. If your state didn't expand Medicaid, earning more money might be your only option; although if you itemize on your taxes, you could claim fewer deductions to keep your income above the cutoff. You'd end up paying more in taxes, but it might be worth it to keep the subsidy for your health insurance.

Also, keep in mind that they're much more worried about people understating their income than overstating it. As long as you can justify why you expect your income will be higher in 2015, chances are they'll let you keep the subsidy this year too.

LINK

Paul June 1, 2015, 10:11 am



I Fedex'd my proof of income documentation and even got proof of signature and have the proof that it was signed for in the correct location.

The marketplace can't find it. First guy I talked to said, "we probably lost it. Nothing you can do about that."

Eventually found out, that now I have to file an appeal...because THEY lost the documents!

LINK

Sue M. August 26, 2015, 1:00 pm



My only income is from two rental houses that I own. Hlth Ins. Mktplc keeps asking for income verification. I've sent leases, rent receipts, tax returns, and they still are asking for verification. I'm exasperated and have nothing else to send them. Any thoughts??

LINK

Rob Cullen September 1, 2015, 3:50 pm



@Sue M.: I don't know why they wouldn't accept those documents as income verification. The only two things I can think of are (1) maybe the health marketplace isn't receiving them for some reason; or (2) if there was some other income on one of your last tax return besides those rentals– in that case you might have to include an explanation of why you're no longer getting that income. Other than that I'm stumped. You could also talk to a CPA or one of the local Navigators listed on the healthcare.gov– they could maybe look at your tax return and see if there's something you're missing.

LINK

Martin Cornelius November 7, 2015, 9:14 pm



I used my 2012 & 2013 form 1040 AGI to estimate my income to qualify for my 2015 subsidy. I used these estimates because I had not yet filed my 2014 taxes so that number was not available. When I filed my 2014 taxes I had a capital gain of \$70k that I was not aware of until my taxes were complete. That money was simply reinvested by my broker so I never really took position of it. Still not problem, my 2015 income will be in line with the estimate I used when applying for the subsidy. So, I should be able to

reconcile 2015 and be ok. My problem is when I updated my application for 2016 they approved the subsidy but are asking me to verify my income before 2/6/2016 or they might cancel the subsidy. I really don't want to send them my 2014 form 1040 that shows \$70k in income do I? Should I just send 2012 & 2013 copies of form 1040 since they are much closer to my average annual income and explain this in a letter? Thanks for all of you advise, this thread is very helpful for me.

LINK

Rob Cullen November 9, 2015, 5:10 pm



@Martin Cornelius: I'm not sure if the 2012 and 2013 returns would be recent enough that they would accept those to verify your 2016 income. You could try it, but if they want something more recent, you should be fine sending them your 2014 form with a letter explaining that the capital gain is a one-time thing that did not happen in 2015. Really their goal is just to make sure your income estimate for 2016 is accurate, so they should be fine ignoring the capital gain income if you're not expecting it this year.

LINK

Henry Smith November 15, 2015, 11:43 pm



"If you're a freelancer or independent contractor you can send them your most recent 1099's or a self-employment ledger and the government should take your word that it's accurate."

Is this a joke? I've submitted our income info at least 7 times in the past year and every time have gotten the dreaded "need more information to verify your income" letter. I've submitted bank statements showing my retirement income, daily ledgers for both mine and my wife's businesses (we're self-employed), checking account statements, etc. all to no avail. I've been on the phone many times with representatives pleading for help. The fact that they want more info but never spell out exactly why the information I sent is not

enough is exasperating to say the least. I've had to re-apply 3 times this year because I kept running up against the deadline for sending in the financial info. This is getting way out of hand.

LINK

Rob Cullen November 17, 2015, 4:44 pm



@Henry Smith: This post was written before the exchanges were online, so the part that “the government should take your word that it’s accurate” was based on how tax and health law experts assumed the income verification would work. Since then I’ve heard mixed things– some people are fine sending just a ledger or 1099s, other people have been asked to send more info without much guidance on what they need to send (<http://khn.org/news/consumers-asked-to-verify-income-or-risk-losing-government-subsidies-for-health-insurance/>). I think it mostly depends on a person’s specific circumstances, so I’d be curious to hear more about other people’s experiences, positive or negative.

LINK

Pebo Akintol November 21, 2015, 7:56 pm



My 77 year old my has no income whatsoever. She has been a permanent residence for 4.5 years now. My State Exchange wants “proof of income” even after stating the she has \$0 income. How do I respond to the “proof of income” requirement? Do I just write that on a blank sheet with some explanation and upload it? Thanks

LINK

Rob Cullen November 22, 2015, 1:40 pm



@Pebo: If she doesn't have a tax return to send, then yes, I would try just sending a letter explaining that she has no income.

Her income is low enough that she would also likely qualify for Medicaid, depending on where she lives. In most states you have to have lived in the U.S. legally for at least five years to be eligible, but there are exceptions: 14 states offer health coverage to people have been here less than five years. If she lives in a state that's dark blue on this map, she may qualify:

<http://aspe.hhs.gov/basic-report/overview-immigrants-eligibility-snap-tanf-medicaid-and-chip#fig4>

Also, keep in mind that you can apply for Medicaid at any time. It sounds like she'll have been here for five years sometime in 2016, so even if she is rejected now, I would definitely have her reapply for Medicaid as soon as she hits her five year anniversary of being a U.S. resident.

LINK

Glen November 25, 2015, 4:23 pm



It seems like no one at Healthcare.gov has any clue about what it means to be self-employed. I am self-employed and for the purpose of applying for Obamacare subsidies I am fortunate that my income for the last 15 years has remained quite steady (within a couple grand either way). So I just use line 37 (AGI) on my 1040 from the previous year. From what I can read everywhere the subsidy is based on the MAGI which is the AGI adding back some income types (which I don't have anyway). I cannot imagine how doing a ledger would be any better cause to get to the correct AGI that way I would essentially have to do almost a complete tax return – subtracting all the business deductions etc.....

I can't imagine why using the AGI would be any different for a self employed person than it would for anyone else (with the one exception of the self employed health care deduction – which I believe will be reconciled at tax time by my tax preparer – and not be a vast discrepancy)

I just hope my thinking here is correct!!!

LINK

Rob Cullen November 25, 2015, 5:02 pm



@Glen: You're right, in that if your income doesn't vary much from year to year, using the previous year's AGI as an estimate is much easier than doing a ledger. However, for other self-employed people whose income has changed, or will change in the upcoming year, a ledger might be the only way to accurately show their current income.

LINK

Glen November 26, 2015, 1:22 am



Thanks. I had someone, a broker for a local insurance provider, insisting that it was not the AGI that the subsidy is based on, rather it was line 22 on the 1040 which is the total income before deductions line. Freaked me out a bit resulting in many hours of research. I believe a. he was mistaken and b. he was trying to quick sell me into an off the exchange plan by insisting I don't qualify for a subsidy.

My experience for all of 2015 was that I based my income on last years AGI, the exchange requested documentation for which I provided my 1040. Repeated calls to Healthcare.gov, speaking with different reps, all resulted in confirmation that all is well with my enrollment. This guy got me a little nervous for a bit.

LINK

peter lehmann December 1, 2015, 12:12 am



Why is this based on gross income and not net.I have non tax deductible expenses that Obamacare would put me homeless Any way around

the question, and how much is the fine..

[LINK](#)

Mark December 17, 2015, 5:15 pm



Your comment is awaiting moderation.

[LINK](#)

Brad January 27, 2016, 6:40 am



I farm with my Dad and own a hardware store. With the store still in its infancy it is showing a loss. My estimated income for 2015 was above the minimum for a family of 3 and my wife and I are on a Blue Cross Blue Shield plan and my daughter is on Illinois All Kids. This past year we lost 1000 acres out of 1700 acres to flood. As a result, if we file with all of our deductions we will fall below the minimum for 2015. However, my wife is expecting and we absolutely plan to have well above the minimum for 2016. My question is if I show my actual income for 2015 will it effect our coverage for 2016 and put us all on Illinois Medicaid? I dont want us as a family to be forced to medicaid when our baby Dr. is out of state.

[LINK](#)

Rob Cullen January 30, 2016, 2:30 pm



@Brad: In theory, it shouldn't be a problem if your taxes show your income is below the minimum for 2015. If your estimate for 2016 is different from your 2015 reported income, they'll probably ask for more documentation– if they do, you could send your tax forms with an explanation that the deduction for the lost acreage was a one time thing; or anything showing that your income for the current month is above the minimum (like a ledger, 1099, etc.)

LINK

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CATEGORIES

[2012 Campaign \(18\)](#)

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[Children's Health \(13\)](#)

[Chronic Disease \(28\)](#)

[Autism \(3\)](#)

[Cancer \(9\)](#)

[Diabetes \(2\)](#)

[Heart Disease \(2\)](#)

[HIV/AIDS \(4\)](#)

[Kidney Disease/Dialysis](#) (1)

[Obesity](#) (7)

[Contagious Diseases](#) (2)

[Controlling Rising Costs](#) (45)

[Drug Companies](#) (12)

[Prescription Drugs](#) (9)

[Government](#) (126)

[Congress](#) (44)

[House](#) (9)

[Senate](#) (9)

[Federal Budget](#) (30)

[Supreme Court](#) (32)

[White House](#) (32)

[Bush Administration](#) (1)

[Obama Administration](#) (31)

[Government Programs](#) (294)

[Indian Health Service](#) (1)

[Medicaid](#) (46)

[Medicare](#) (46)

[Patient Protection and Affordable Care Act](#) (247)

[The Public Option](#) (15)

[Veterans Administration](#) (5)

[Health Care Providers](#) (38)

[Clinics](#) (5)

[Dentists](#) (1)

[Doctors](#) (11)

[Emergency Rooms](#) (1)

[Hospitals](#) (11)

[Nurses](#) (2)

[Nursing Homes](#) (5)

[How Health Care Relates to...](#) (36)

[Food and Agriculture](#) (16)

[Gun violence](#) (3)

[Martin Luther King](#) (2)

[The Environment](#) (16)

[Humor](#) (11)

[Insurance Industry](#) (18)

[Lobbyists](#) (10)

[Media](#) (15)

[Mental Health](#) (7)

[Other Countries](#) (26)

[Canada](#) (4)

[Haiti](#) (3)

[Poverty](#) (7)

[Race](#) (6)

[Seniors](#) (13)

[End of Life Care](#) (6)

[Single Payer](#) (14)

[States](#) (67)

[California](#) (10)

[District of Colombia](#) (1)

[Kentucky](#) (2)

[Maryland](#) (1)

[Massachusetts](#) (12)

[Minnesota](#) (1)

[Montana](#) (1)

[Oregon](#) (6)

[Pennsylvania](#) (10)

[Rhode Island](#) (2)

[Texas](#) (5)

[Vermont](#) (6)

[Technology](#) (25)

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